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Making the transition: no two paths alike

by Lisa Maslove, Leanne Fischer and Herb O'Heron

Research and Policy Analysis Division Association of Universities and Colleges of Canada

Youth unemployment is a serious problem, but it may not be as new as some media reports say. Canadians have reason to be concerned about joblessness among youth, but in fact, youth have always had high rates of unemployment. Over the last few decades, the youth unemployment rate has generally hovered between six and nine percentage points higher than that of the general population. What makes the youth unemployment problem more noticeable now, and more acute than before, is that young people are better educated than ever. The number of bachelor degree holders aged 20 to 29 entering the labour market grew 14 percent between 1990 and 1995. Meanwhile, overall youth unemployment rates remained high during that same period, ranging between 11 and 16 percent for 20 to 24 year olds, and nine and 12 percent for 25 to 29 year olds. While employment growth for young people with a postsecondary education has been impressive, a shrinking number of jobs for young people with high school education or less is pushing the overall youth unemployment rate higher.

Moreover, despite the fact that the unemployment rate for university graduates in 1996 was only five percent, many graduates face a difficult transition into the labour market. Well-paying, permanent jobs are not always easy to come by after graduation. The frustration experienced by young graduates looking for work has fuelled the perception that a good education is less worthwhile today than it was a few years ago.

Highlights

- Unemployment rates among young people in Canada continue to be a concern, ranging between 11 and 16 percent for 20 to 24 year olds during 1990-95. But the most serious problems persist among youth with high school education or less.
- Young people with university degrees have lower unemployment rates, better job opportunities, higher salaries and improved chances of promotion than do those with less education.
- Nonetheless, many university graduates face a difficult transition into the labour force. Well-paying, permanent jobs are not always easy to find. And many graduates move between short-term jobs, additional education and periods of unemployment before achieving greater stability.
- Eventually, most degree holders find full-time permanent jobs related to their field of study.
- Median earnings of university graduates continue to grow. Between 1992 and 1995, the median earnings of graduates from the class of 1990 grew by 15 percent in real terms to $38,000 a year.
- The field of study makes a difference to the transition experience. Graduates from the class of 1990 in fields such as health, education and commerce had the lowest unemployment rates by 1995, while fine arts, biological sciences and humanities graduates were more likely to be looking for work.
- Internationally, Canada compares well in terms of youth unemployment. The unemployment rates of recent university graduates aged 25 to 29 rank in the middle of OECD countries. As for long-term unemployment — defined as a period of one year or more — Canadian youth fare very well, with the lowest rate of long-term unemployment in OECD countries.
- There are signals, though, that the path for young graduates today may be more difficult. Despite improved student assistance, debt levels continue to be a concern. And the job market is increasingly competitive: Canada has one of the highest educated workforces in the world, and today's graduates compete with people who already have both a degree and valuable work experience.
- Universities can help young people through the difficult transition period by introducing co-op programs and internships, helping to better equip graduates for the job market. Governments, the private sector and universities will need to work together to find innovative solutions and programs that provide meaningful and valuable work experience for university graduates, helping them integrate into the job market more quickly after graduation.

That perception, however, is not reality. Evidence from Statistics Canada's National Graduates Survey (NGS) and Labour Force Survey shows that people with higher education fare considerably better than those without. University graduates continue to have greater employment opportunities and to gain higher salaries than non-graduates. In fact, the unemployment rate for youths declines steadily for every additional year of study. It is apparent, though, that it takes considerable time for some graduates to land a full-time permanent job.

The aim of this *Research File* is to describe the difficult transition period that many young people face upon graduation and to explore possible ways to help ease that transition. The transition period, while different for everyone, can be long, arduous and frustrating. The NGS, which tracks graduates in the first five years after degree completion, finds that many graduates move between short-term jobs, additional education and periods of unemployment before achieving greater stability. The good news is that most degree holders eventually find full-time permanent jobs related to their field of study.

While university and college graduates have always had to contend with a difficult transition into the labour market, the situation facing young people graduating today is definitely tougher. The most noticeable difference is that 60 percent of students are forced to borrow — some heavily — to pay for their education. Human Resources Development Canada estimates that the average debt load of graduates who borrow to finance their education will be about $25,000 in 1998. Entering an uncertain labour market while already burdened with large debt payments puts added stress on young job searchers. Today's graduates are also facing stiffer competition from older workers aged 45 to 54 who have reached similar levels of educational attainment. In this respect, having a university degree is less of a competitive advantage than it once was. Employers place a greater premium on experience, thus forcing less-experienced graduates to "wait their turn" for job promotions and other rewards. New employees in the past also had to wait their turn, but the waiting period nowadays may be longer.

The transition period, while different for everyone, can be long, arduous and frustrating.

Universities and governments would be wise to turn their attention to finding ways to help ease the transition into the labour market. The federal government's 1998 budget contained several measures which will greatly assist graduates and future graduates to pay for their education. Tax credits and interest relief on student loans for graduates earning little or no income will ease the debt burden considerably. Education savings incentives and $2.5 billion in Canada Millennium scholarships will allow future students to borrow less from the government. Increased support for co-op programs, apprenticeships and internships would also go a long way towards bridging the skills gap of inexperienced workers.

Gaining a better understanding of the transition period facing graduates would also help improve Canada's information systems, such as the NGS and supplements to the Labour Force Survey. These surveys need to be adjusted to take into account the fact that the transition into the job market is not always a straight-forward path. Many graduates decide to go back to school for another degree, or to improve their technical skills at a community college, thus delaying their entrance into the labour force. This is an important factor to consider when tracking the performance of graduates two and five years after graduation.

Capturing the transition experience

Much of the data presented in this *Research File* comes from Statistics Canada's National Graduate Survey.[1] The NGS is an important source of information for tracking the success of university and college graduates because it relates labour market experiences directly to the length of time since graduation. As noted earlier, the NGS polls graduates from across the country at two and five years after graduation, thus providing an overall view of Canadian graduates and allowing for inter-regional comparisons. Statistics Canada has surveyed three graduating classes so far (the classes of 1982, 1986 and 1990), which means that we were able to compare the transition experience of graduates over the past 16 years.[2] This *Research File* relies on institutional surveys as well to reinforce the findings of the NGS and to provide a sampling of the type of information that is being collected at the university level.

While most of the figures presented in the surveys are overall rates or averages, it is important to point out that there is no such thing as a "typical transition". Rather, there are many different transition experiences that vary with, among other things, the personal characteristics of individual graduates, their social contacts, their fields of study, the educational requirements for entry into their preferred occupation and their work histories. The Class of 1990 survey reveals that students who worked prior to enrolling in the program from which they graduated had significantly improved their employment prospects two years after graduating. For example, the unemployment rates for graduates two years out are somewhat lower

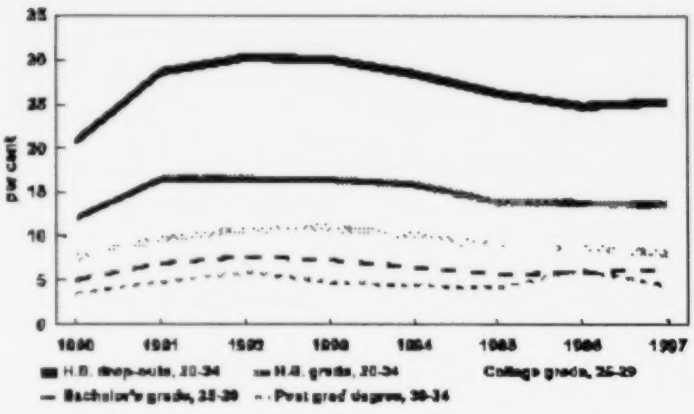
for those who had been working in the 12 months prior to enrolling in their program versus those graduates with little or no job previous experience. This underscores the importance that job experience makes in the transition from school to the labour market.

The Class of 86 Revisited, the five-year follow-up of 1986 graduates, points out that the labour force activities of 1986 graduates were "more dynamic" than the overall averages reveal. Graduates tend to move in and out of the different labour categories during their first five years in the workforce. For example, the report shows that, of the 75 percent of graduates who were employed full-time in 1988, 87 percent were still employed full-time in 1991, while five percent had switched to part-time work (whether by choice or not); four percent had become unemployed; and three percent had left the labour market. Of the nine percent of 1986 graduates who were working part-time in 1988, 57 percent had gained full-time positions in 1991; 28 percent were working part-time; seven percent were unemployed; and eight percent were out of the labour market.[3] This lends support to the argument that the transition period can be very volatile and fraught with change.

Youth unemployment

Since the early 1980s, the proportion of young Canadians attending postsecondary institutions has increased dramatically. As a result, the proportion of 25-29 year-olds entering the labour force with bachelor degrees has also grown from about 276,000 in 1990 to 323,000 in 1995. Despite these swelling numbers, employment prospects for graduates continue to be bright. This suggests that the demand for educated workers is growing along with the supply of graduates. Looking at the labour force data from 1996, it is clear that unemployment rates were correlated with educational attainment. In the 25-29 age cohort, university graduates had unemployment rates of under six percent and college graduates had rates of just under nine percent. For people in this age group who had completed high school only, unemployment rates jumped to 11 percent, even though they likely had more time (three to five years more) to integrate into the labour market. One-fifth of those who did not finish high school were unemployed.

Unemployment rates of youth improve with higher levels of educational attainment.



The National Graduate Survey confirms the labour force data that long-term employment prospects for university graduates are excellent. The report shows that the unemployment rate for 1990 graduates in 1995 was six percent, almost half of what it had been three years earlier. In some fields of study, the unemployment rate was as low as three percent.

Results from institutional surveys show a similar improvement in unemployment rates. In 1993, the University of Ottawa surveyed its bachelor graduates from the classes of 1986 to 1992.[4] Graduates who had completed their studies earlier were less likely to be unemployed, thus confirming that employment prospects improve greatly after a few years in the labour market.

The classes of 1986 through 1989 had a rather low unemployment rate of 2.4 percent; the classes of 1990 and 1991 had a somewhat higher unemployment rate of 4.7 percent; and the class of 1992 — only one year after graduating — had an unemployment rate of eight percent. The report also notes that the unemployment rate among the general population was around 11 percent at the time.

The 1991 bachelor graduates from British Columbia's public universities were also surveyed five years after graduation.[5] Only 3.8 percent of graduates were unemployed compared with nine percent nationally. Interestingly, at the time of the survey, labour force statistics indicate that 5.2 percent of all university degree holders in British Columbia were unemployed, thus suggesting that these young graduates were even more successful than older graduates at finding work. This statistic underscores the fact that transition experiences for every graduating class, and indeed every individual, are different.

The data also shows that young people generally experience short spells of unemployment, suggesting that the problem is more likely transitional than chronic. In 1996 the average spell of unemployment for youth aged 15 to 24 was 15 weeks compared with about 26 weeks for those aged 25 to 44. Of the young people who were unemployed in 1996, 84 percent were jobless for six months

or less. The follow-up survey of 1991 graduates in British Columbia also found that unemployment periods were often short-lived. Of the 17 percent of graduates who had been unemployed for six months or more, only six percent were unemployed for at least a year. The authors of the report conclude that, despite the fact that more than a third of graduates had held at least one job that was a limited term contract, "university graduates find jobs relatively quickly, and these jobs are stable, long term jobs".[3]

Most graduates find work

Not only do university graduates have an easier time finding employment after a few years in the labour market, the proportion of graduates landing full-time positions also increases with time. Among graduates from the class of 1990, 80 percent had full-time jobs in 1995, compared with 74 percent in 1992. Furthermore, in 1992, about half of those working part-time were doing so involuntarily. Three years later, this percentage had dropped so that only three percent of graduates were working part-time involuntarily. The B.C. follow-up survey found that, two years after graduation, 77 percent of employed bachelor graduates were working full-time. Five years after graduation, this proportion had grown to 83 percent. Of the 17 percent of respondents working part-time, three-quarters were doing so by choice — which means that only four percent of all graduates were working part-time involuntarily.

As it has already been described, the transition period for some graduates is characterized by a series of short-term jobs rather than one permanent full-time job. The National Graduate Survey found that one-quarter of employed bachelor graduates from the class of 1990 believed their jobs to be temporary in 1992, while one in six still classified their position as temporary in 1995. The change in employment status was most dramatic at the doctoral level where the proportion of PhDs employed temporarily fell from one-third to one-sixth. This finding suggests that, by five years after graduation, most of the graduating class will have emerged from the transition period.

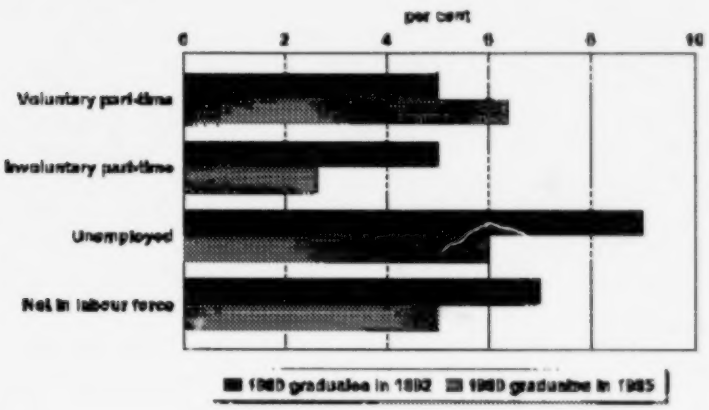
Using surveys to calculate the number of permanent job-holders is not an easy task because it is very much dependent on how the respondent chooses to interpret the question. The answer could be influenced by how the question is worded and by people's perception of their jobs. Statistics Canada defines a permanent job as any job that is expected to last more than six months.

In Statistics Canada's 1994 Survey of Work Arrangements, approximately 88 percent of all workers reported their employment as permanent. This response did not vary according to education level. However, among the temporarily employed, more than half of those with a secondary education or less reported working as seasonal or casual laibour, compared with only one-quarter of university graduates. Similarly, temporarily employed university degree holders were more likely to be term or contract employees — 74 percent compared with only 42 percent of high school graduates. Clearly, there is a qualitative difference between the types of temporary jobs held by university graduates and the ones held by non-graduates.

Three-quarters of employed University of Alberta graduates held permanent positions five years after degree completion — up eight percent from four and a half years earlier.[4] In another institutional survey, Brock University's class of 1990 was asked to compare their first job after graduation with their current job at the time of the survey in 1993. While 66 percent said their first job was permanent, 75 percent said their current job was permanent.[5] McMaster University surveyed the classes of 1990 and 1992 in 1994. Among those who had graduated four years earlier, 69 percent were in permanent full-time jobs compared with only 49 percent who had graduated two years before.[6] By comparing the situation of the two graduating classes, this survey demonstrates the difference two years can make in the early career of a university graduate.

It is interesting to note that in the NGS, university graduates were more likely than college graduates to classify their jobs as temporary. This may be because university graduates perceived their current jobs as a stepping stone to future career plans.

Labour market outcomes improve with time — the proportion of graduates working full-time jumps from 74 to 80 percent, while involuntary part-time and unemployed workers decline.



In fact, of the 1990 McMaster graduates surveyed, half said they had changed jobs in the four years between graduation and the time of the survey. When asked why they had changed jobs, the reasons most often given were: new job was "more appropriate for career"; "more challenging employment"; "better salary"; and "better opportunity for advancement." Only 5.7 percent of respondents listed "downsizing" as a reason.[10]

Between 1992 and 1995, the median earnings of 1990 university graduates grew by 15 percent in real terms to $38,000 per year.

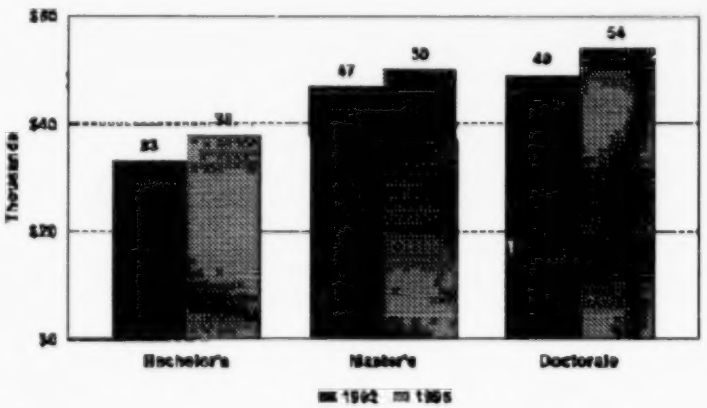
One of the circumstances which may be different for today's graduates is an economy-wide trend towards contract and short-term jobs. A Statistics Canada study on job tenure found evidence of "polarization", in which the proportion of jobs lasting less than one year increased at the expense of those lasting between one and five years. Fortunately, the study also found that the percentage of long-term jobs remained stable.[11] This last finding may be attributable to the phenomenon that, once a job has been held by an employee for one year, there is a better chance of it lasting five or more years. For young entrants to the labour market, this may translate into a few years of short-term jobs, but increased stability once a better job match is found. It is worth noting that, despite the trend toward more short-term jobs, the study also found that more than 40 percent of new jobs held by those with a postsecondary education lasted longer than 12 months. For people without a postsecondary education, less than one-quarter of new jobs lasted a year. The five-year follow-up survey of 1991 B.C. grads supports the claim that university graduates benefit from more stable employment. It found that 37 percent of graduates — the largest proportion of respondents — held one job over the five-year period, while 27 percent held two jobs.

Compensation levels stable

There is growing concern that, in addition to high youth unemployment rates, the salaries of young people are also declining. Statistics Canada's Survey of Consumer Finances may be contributing in part towards the perception that young people — be they university graduates or not — are not making as much money as they used to. However, given the relatively small sample size used in the survey and the limited number of questions on degree attainment, it is difficult to use this survey to properly analyse and compare incomes of graduates over time.

The NGS is a more appropriate survey because it provides a common reference point to compare graduate salaries two and five years after graduation. In comparing the Class of 1982, 1986 and 1990, the combined median incomes of graduates at all levels are virtually identical from one class to the next.

Graduates' salaries improve with time.



A more detailed analysis of the NGS reveals that there have been some moderate declines in salaries for male graduates two and five years after graduating, while there has been growth in female earnings and a tightening of the gender earnings gap.[12]

Another common misconception arising from media reports and personal anecdotes is that the salaries of today's graduates are not growing as fast as previous graduates. The NGS data shows, however, that the traditional pattern of rapid increases in income in the early years after entering the labour market holds true. Increases in earnings were just as pronounced among all three cohorts of graduates. *The Class of 1990 Revisited* reports that between 1992 and 1995, the median earnings of 1990 university graduates grew by 15 percent in real terms to $38,000 per year. Master's and doctoral graduates also had earnings of $50,000 and $54,000 in 1995 — up six percent and 10 percent respectively.

Institutional surveys noted similar salary increases. For example, 30 percent of graduates from the University of Alberta who had changed jobs within the first four and a half years after graduation reported salary increases of $10,000 to $20,000 per year. Another 20 percent reported that they were

making at least $20,000 more than they were six months after graduation. At McMaster University, graduates from the class of 1990 were asked to compare salaries from their first job with their earnings at the time of the 1994 survey. Twenty-seven percent were earning under $25,000 per year in their first full-time job, but only 10 percent remained in this bracket in 1994. An even larger percentage of graduates (67 percent) had starting salaries in the $25,000 to $40,000 range, but again only 47 percent stayed in this income bracket. Only five percent of graduates were earning more than $40,000 in their first full-time job, but this number had risen to almost 40 percent by 1994.

In addition to higher salaries, better benefits packages are another way in which university graduates are rewarded for the skills and knowledge they bring to the job. According to Statistics Canada's 1994 Survey of Work Arrangements, a larger proportion of paid employees holding a university degree receive workplace benefits as compared to less educated workers.[11] Seventy- five percent of university-educated workers receive supplementary medical insurance and 69 percent have some coverage of dental expenses. For those with secondary or only some postsecondary education, about 50 percent have medical coverage and even fewer have dental coverage. Sixty-eight percent of working university graduates enjoy pension contributions from their employers, while for those without a postsecondary degree, fewer than half receive such contributions.

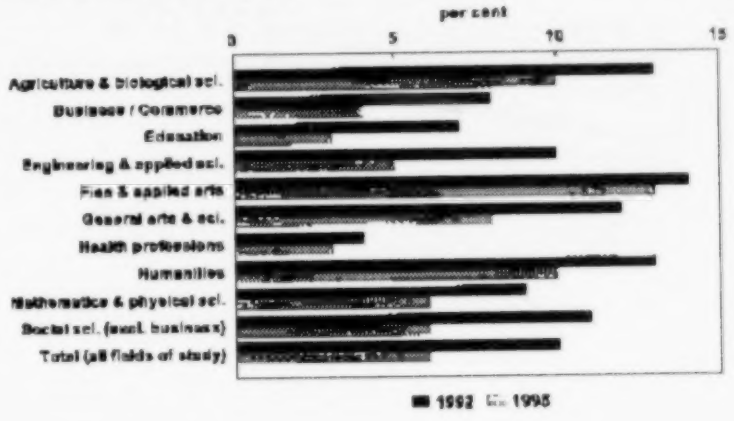
In response to concerns about employment prospects for youth, Statistics Canada is currently examining growing wage gaps between young workers (25 to 34) and older workers (45 to 54).[11] While some wage premium is expected due to the increased experience of older workers, Statistics Canada has found that the wage gap has widened considerably — by 16 percent for men and by 20 percent for women over the period 1981 to 1994. Interestingly, the most likely explanation for this shift is the growing educational attainment of the older cohort of workers. For example, the percentage of older male workers with grade 10 or less declined from 41.9 percent to 19.6 percent between 1981 and 1994, while the percentage with postsecondary degrees increased from 32.1 percent to 51.7 percent. The study also notes that the rate of change in educational attainment in the younger cohort was much smaller, so that both the young and older groups now have reached similar educational levels. Employers seem willing to pay a higher premium to older workers who combine experience with higher education. The report also suggests that there will be a slowdown in the wage premium for older workers since the current improvement in relative educational attainment cannot be sustained. Moreover, as today's youth gain experience, it follows that they should go on to benefit from this so-called "age premium".

Field of study influences transition

As already stated, the transition experience varies considerably among graduates. Some may have relatively little difficulty finding a permanent full-time position right after graduating, while others may go through years of instability before eventually landing their first "real" job. One of the factors which can influence the length or volatility of the transition period is a graduate's field of study. A common misperception is that science graduates have brighter employment prospects than arts graduates. Survey findings indicate that the situation is not so clear cut. While different programs may be associated with different types of transition, there is no evidence to suggest that liberal arts degrees are declining in value in the job market. Employment rates for liberal arts graduates have remained more or less the same since the first NGS in the early 1980s.

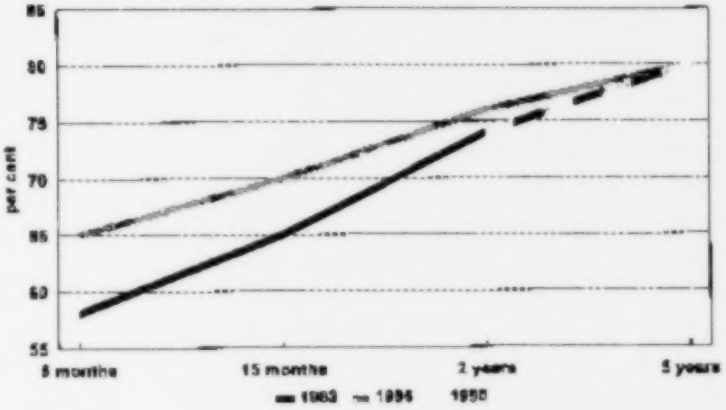
It is clear that graduates of some disciplines confront less unemployment upon degree completion than graduates in other fields. For example, graduates of the class of 1990 majoring in health, education and commerce had the lowest unemployment rates in 1995, ranging from three to four percent. In addition, education and commerce graduates, as well as engineering and social science graduates, showed the greatest improvement between 1992 and 1995, dropping their unemployment rates by half or more in relation to the rates they encountered in 1992. On the other hand,

Unemployment rates vary by field of study, but all rates drop five years after graduation.



graduates in fine arts, biological sciences and the humanities were most likely to be looking for work in 1995, with jobless rates of about 10 percent. Although these rates are down from the first year of transition — by about 20 percent for fine arts and biological science graduates and 35 percent for humanities graduates — they had the weakest rates of improvement. Math and physical science graduates rated in the middle of the pack — both in terms of unemployment rates in 1995 and the relative improvement of that rate between 1992 and 1995. These findings were relatively consistent across all three survey groups — there were no major differences in experiences of the class of 1982 versus those of 1990.

Employment levels vary between graduating classes, but the proportion working full-time after five years is the same.



With few exceptions, job market success was similar for all three cohorts of graduates five years after graduation regardless of what point in the economic cycle they entered the job market.

One of the key factors that is useful in explaining these results is that students from some fields — mainly biology and chemistry — are more likely to continue their studies after their first degree. Graduates in these areas will have had far less time to make the transition into the labour market than those who have not continued their studies. As we have shown, employment prospects improve greatly in the first few years after entry into the labour market. Therefore, comparing the unemployment rates of biology or humanities students who have gone on to complete another degree to those who have gone directly into the labour market can produce misleading results.[1]

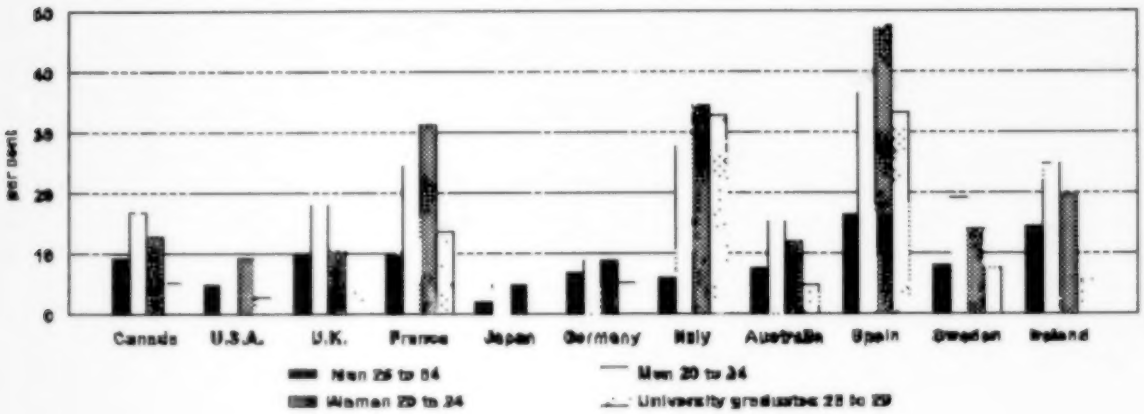
Moreover, while differences in unemployment rates among graduates in different fields persisted five years after degree completion, there is evidence that the earnings gap had narrowed. Among those working full time, fine arts graduates were still earning the least. Their median salary five years after graduation was just over $30,000 per year — up 23 percent from 1992. The highest earners among university graduates were engineers and health professionals with median salaries of about $45,000 in 1995.

Similar success rates

Results from the three National Graduates Survey allow us to compare the transition experience of graduates across two decades. Such a comparison must, however, take into account the economic climate in which each group of graduates entered the labour market. For example, the class of 1982 and 1990 graduated at similar points in the economic cycle — the former at the height of the 1982 recession and the latter just prior to the most recent recession. On the other hand, the class of 1986 came into the labour market in the midst of a relatively strong economic resurgence. Clearly, one would not expect identical transitions for each cohort. However, given the short economic cycles experienced in recent years, we can see the effects of the economy on the early career advancement of each cohort. Five years out, the class of 1982 was in the middle of an economic expansion and their improved prospects demonstrate it. The class of 1986 also improved its income and employment rates between 1988 and 1991, but not to the same degree as the earlier class. The fact that they were about to confront a serious recession five years after graduating would erase most of their early career advantages. The class of 1990 fell between the two previous groups — graduating just prior to, rather than in the midst of the 1991 recession. Given that the recession lasted longer than average and the aftermath was severe, the class of 1990 was not able to benefit from the economic boom until after the five-year point.

With few exceptions, job market success was similar for all three cohorts of graduates five years after graduation regardless of what point in the economic cycle they entered the job market. For example, in all three groups, about 75 percent of graduates were working full time and nine percent had part-time jobs.

In OECD countries, university graduates aged 25 to 29 have lower unemployment rates than most other age and gender groups.



The six percent unemployment rate five years out was the same for the class of 1990 as it was for the class of 1986, but higher than the four percent unemployment rate for 1982 graduates. This partly reflects an economy-wide trend, whereby employment rates have not fully recovered since the last recession. Finally, median annual earnings (in constant 1995 dollars) were about the same for all three cohorts.

How does Canada compare internationally?

Canadians are not the only people concerned with youth unemployment. A glance through the newspapers of any industrialized country reveals how prevalent and globalized this problem has become. The Organization for Economic Co-operation and Development (OECD) has paid a lot of attention to this issue of late, tracking youth employment rates across its member states.[16] According to OECD statistics, unemployment rates for youth 20 to 24 years of age are much higher than those of adults — and in many cases the differentials in other OECD countries are greater than in Canada. Compared to other G-7 countries, Canada ranks in the middle. Unemployment rates for Canadian youth (aged 20 to 24) are between 17 percent for men and 12 percent for women compared to about nine percent for men and women aged 25 to 54 years old. Canadian youth unemployment rates and the absolute differences between the rates for youth and adults are significantly lower than in the United Kingdom, France and Italy where the unemployment rates for male youths ranged from 19 to 25 percent — 2.5 to five times greater than the unemployment rates for adult males. Canadian rates are higher than those in Japan, Germany and the United States, however. Even the United States, despite near full-employment, has youth unemployment rates over 10 percent, twice that of adults.

Canada also ranks in the middle of OECD countries in terms of the unemployment rates of recent university graduates, aged 25 to 29. Canada is grouped together with about a dozen other nations whose unemployment rates range between three and six percent. A dozen other countries had much higher unemployment rates, ranging broadly from seven to 33 percent.

The university to labour market transition has also been examined in other industrialized nations. In general, evidence from abroad suggests that, like their Canadian counterparts, degree holders in other countries make considerable career progress within the first few years of graduating. An in-depth analysis of the career progress of graduates was conducted at the University of Sussex[17] in England. This study tracked the classes of 1991, 1992 and 1993 and found that the further graduates were from degree completion, the more likely they were to have found permanent employment. Initial disparities in employment opportunities between graduates from different fields of study or gender tended to narrow over time.

The University of Sussex study also looked at the career paths of graduates and found a wide variation of pursuits. Like Canadians, graduates from the University of Sussex tend to move directly into employment, sometimes experiencing periods of unemployment, and occasionally deciding to pursue further education. The study found that the most common route was that of continuous employment from the time of graduation to the time of the survey (experienced by almost one-third of those surveyed). In fact, 90 percent of 1991 graduates had at least one permanent job in the three and a half years since graduation. Half of all respondents had experienced bouts of unemployment, but they were jobless for less than six

months. A similar study conducted in the United States by the American College Testing (ACT) association reports that, of graduates who had been out of school four years or less, 79 percent were employed (either full-time or part-time), four percent were unemployed, 13 percent were pursuing further education, and another three percent were raising a family full-time.[16] Both reports support the claim that the transition from school to work can be difficult, but that university graduates have both the skills and the knowledge to find a job relatively quickly.

The OECD also tracked "long-term" unemployment, which it defined as a period of a year or more. On this indicator, Canadian youth fared very well. Our youth consistently had the lowest incidence of long term unemployment, measuring two to seven percent depending on the state of the economy at the time. In Germany and France, the incidence of long-term youth unemployment ranged between 20 and 33 percent, and in Italy and the United Kingdom it was more than 40 percent. For youth in the United States and Sweden, the incidence of long-term unemployment was consistently under 10 percent but still above the rate for Canadian youth.

This reflects a major difference in structure between Canadian and other labour markets. Canadian youth experience periods of short-term unemployment while between jobs. In countries like Germany and Japan, on the other hand, transition to the labour force may be easier for some youth, while others experience substantial long-term unemployment.

Such large inter-country differences in both unemployment rates and in the incidence of long-term unemployment reflect differences in the traditional way in which youth enter the job market. The OECD characterized the North American process as a job shopping process, in which youths enter the labour market and engage in a lengthy period of search interspersed with many short-term jobs before finding long-term employment. In other countries there is a longer period of searching for the first job, but once the search is over, the job is usually more stable.

Such large inter-country differences in both unemployment rates and in the incidence of long-term unemployment reflect differences in the traditional way in which youth enter the job market.

In Japan and Germany, some youth are able to find long-term employment at a much faster and smoother pace. According to a study by Richard Marquardt, this is due to the strong institutional ties that exist between many colleges and universities and the private sector. In fact, the links are so strong in Japan that "employers allocate a set number of jobs to their chosen schools; the schools rank and nominate students for these jobs. Students themselves have little control in the process. They cannot apply directly to a firm for a job".[17] In Germany, about two-thirds of youth enter vocational or apprenticeship training during secondary school. Access to many occupations is limited to those who have come through the apprenticeship system and about 80 percent continue their employment with the same firm in which they apprenticed. As Marquardt points out, these highly structured systems keep unemployment rates low but are also inflexible, allowing for little adjustment in career path decisions that are made very early in life.[18]

There are other factors which contribute to higher youth unemployment rates in North America. In Canada, there are weak links between the education and labour markets. The majority of youth have few connections with private industry and even less affiliation with specific firms. Employers, likewise, are largely unaware of the skills that students may bring to the job. One result is that young people often engage in trial and error experimentation in the labour market for some years before deciding on a career.

While we would not suggest that Canadian youth are "faring well" solely because of favourable international comparisons, the OECD data help provide a context for understanding youth labour market transitions. Youth unemployment rates have typically been much higher than adult rates (double or more) in most OECD countries. Some have suggested that low skill jobs have been disappearing at a faster rate than the decline in youth population. Others postulate that increases in higher education enrolment rates have caused a decline in the youths' share of full-time employment, labour force participation rates and annual earnings. Clearly, increasing participation rates in postsecondary education have had an impact on the labour market, but they do not explain the situation entirely since university participation rates have levelled off in the 1990s and have been virtually constant since 1993.

Given the predicted growth in the youth population in the next two decades, we need to develop a better understanding of the factors behind recent trends in youth employment. Is steering growing numbers of youth to already stretched and stressed postsecondary institutions a viable solution without further investments in those institutions? In light of changing demands of an aging population, will there be an increase in demand for both skilled and unskilled workers? If so, in what proportions and what impacts will such changes have on demand for education? These are questions which universities and governments need to answer before devising strategies for the next generation of youth.

Conclusion

This *Research File* has stressed that Canadians graduating from institutions of higher education in this decade appear to have the same employment and income prospects as earlier cohorts. A university degree is still, for most people, a ticket to compete for well-paying, full-time, permanent jobs. Data collected from institutional surveys, labour market surveys, and especially, the National Graduate Survey, reaffirm the longstanding assumption that it pays to stay in school. University graduates consistently have lower unemployment rates, higher wages and better chances for promotion than non-graduates. If these are indeed the facts, then why do we hear so much talk about youth unemployment? Why is there such a prevalent opinion that today's university graduates lack opportunities? In fact, the popular image of recent graduates floating between low-paying service industry jobs and the unemployment line is based partly on anecdotes and partly on misinformation.

Many young people go through months of frustration between the time of receiving their degree and landing their first full-time job. A typical pattern for some graduates in transition is to alternate between part-time or short-term work, temporary unemployment, and additional courses at college or university. It should be stressed that this is definitely not the case for every, or indeed most graduates. A large percentage of graduates find full-time, permanent work before they even leave school. The media, as well as the federal and provincial governments, have focussed their attention on the group having transition problems because there are urgent signals that today's graduates may be facing a more difficult road ahead.

One way in which today's graduates differ is in the amount of debt they accumulate. It is estimated that in 1998 the average debt load of university graduates who borrow to finance their education will be $25,000. Faced with the kind of job instability that traditionally occurs during the transition from university to the labour market, it is not surprising to find that more and more graduates are having difficulty managing the heavy debt load. The situation is particularly serious for people whose employment income is insufficient to cover both living expenses as well as student loan payments.

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The debt issue emerged front and centre during the past year and governments have begun to address the problem by working with student groups and universities to design new forms of student assistance targeted to meet the needs of students in the short term and to ensure that graduates will not be saddled with unmanageably large and growing debt in the long-term.[4] In the February budget, the federal government unveiled its *Canadian Opportunities Strategy* which includes a wide range of measures — including tax credits, interest relief, scholarships, and savings incentives — aimed at reducing student debt and increasing access to postsecondary education. It remains to be seen whether these measures are enough. Not every student will qualify for a Millennium scholarship and not every graduate will receive interest relief, but the 1998 budget is definitely a signal that the government has stood up and taken note of the tremendous financial burden on today's youth.

Another major circumstance which is different for today's graduates — and one that can not be directly solved by governments — is the changing labour market. A university degree is not as much of a competitive advantage as it once was for the simple reason that Canada has one of the highest educated workforce in the world. Graduates who enter the job market are competing against people who have both a degree and valuable work experience. As a result, new employees may have to "wait their turn" before they can move up the ladder. While gaining experience has always been part of the transition process, newer graduates appear to be waiting longer for these benefits than their predecessors. The labour market has also undergone severe restructuring since the last NGS survey was conducted in 1990. We have no way of knowing yet how future graduates will be affected by the changes, but close attention is needed in the years to come. The switch to a knowledge society has already affected many occupational groups and will continue to do so in the future.

No matter how governments or institutions try to address the youth unemployment problem, there will always be some graduates caught in the transition phase. Young people coming out of university lack experience, skills, and direction. Few universities "teach" students how to find jobs, perform in interviews or prepare resumes. It is not always clear to students how the material taught in the classroom relates to the real world outside. Co-op programs and internships are very successful at equipping students with job skills and preparing them for the job market. Combining school with work helps students figure out what they want to do after they graduate and provides them with valuable contacts for the future. The challenge for governments, the private sector and universities and colleges is to fund a variety of programs that will provide meaningful work experience to students while they are in school and foster quicker integration soon after graduating.

Endnotes

1. *The Class of 82* and *The Class of 82 Revisited*, *The Class of 86* and *The Class of 86 Revisited*, *The Class of 90* and *The Class of 90 Revisited*, Statistics Canada.

2. The first data from the 1997 National Graduates Survey of 1995 graduates are now available. A more extensive release of the data and an overview of the findings are planned for the end of June 1998.

3. It should be noted that there is no way of knowing what people's experiences were in between the two surveys. For example, just because someone was employed full-time in 1988 and again in 1991, that person could have experienced bouts of unemployment, underemployment, or have removed themselves from the workforce during the three years in between.

4. University of Ottawa, *Survey of Graduates*, 1993.

5. Sudmant, W. and Heslop, J., *Five Year Graduate Follow-Up Survey of 1991 Baccalaureate Graduates From B.C.'s Public Universities: Report of Findings*, University of British Columbia, September 1997.

6. Ibid., 26.

7. Krahn, H. and Lowe, G., *Follow-Up Survey of 1994 Alberta University Graduates: Employment Outcomes and Academic Status*, Department of Sociology, University of Alberta, April 1997.

8. Brock University, *1993 Graduate Survey: Class of 1990*, Office of Institutional Analysis, November 1994.

9. McMaster University, *Graduate Survey Results — 1990 and 1992*, Counselling and Career Services, Office of Analysis and Budgeting, June 1995.

10. Ibid., 15.

11. Heisz, A., *Changes in Job Tenure in Canada*, Canadian Economic Observer, Statistics Canada, Cat. No. 11-010, January 1996.

12. Finnie, R. *Holding Their Own: Recent trends in the employment rates and earnings levels of post-secondary graduates*, Applied Research Branch, HRDC (forthcoming).

13. The Survey of Work Arrangements is administered to workers of all ages and does not differentiate by time since degree completion.

14. Kapsalis, C., *An Explanation of the Increasing Age Premium*, Business and Labour Market Analysis, Statistics Canada, July 15, 1997.

15. In fact, many more students in these programs expect to continue their studies beyond the first degree. Recent results from the University of Manitoba graduate survey show that 62 percent of biology majors plan postgraduate study while only 23 percent of business majors have such plans. A more valid comparison would require combining the unemployment rates both at a later point in time and melding the rates of those have continued their studies with those who have not. Observing the much lower rates for master's graduates provides an indication of the significant improvements that this kind of methodology would produce.

16. Organisation for Economic Co-operation and Development, Employment Outlook, July 1996.

17. Connor, H. and Pollard, E., *What do Graduates Really Do?*, Institute for Employment Studies and Career Development Unit, University of Sussex, Brighton, UK, 1996.

18. The Education Resources Institute & the Institute for Higher Education Policy (USA), *Now What? Life After College for Recent Graduates*, August 1997.

19. Marquardt, R., *Youth and Work in Troubled Times: A Report on Canada in the 1990s*, Working Paper No. W01, Canadian Policy Research Networks Inc., 1996, p. 10

20. Ibid.

21. Many of the budget measures follow closely the recommendations made by AUCC and its six partners: the Canadian Association of University Teachers, the Canadian Association of Student Financial Aid Administrators, the Canadian Federation of Students, the Canadian Alliance of Student Associations, the Canadian Graduate Council and the Association of Canadian Community Colleges.

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